

In the Matter of:

¹ Case No. 89-354, Alternative Fuel Flex Tariff of Western Kentucky Gas Company.

278.190 to make rate changes effective nor had the Commission approved any changes in Western's tariff.

During the management audit of Western, Commission Staff was advised that between March 15, 1986 and June 1989, Western charged rates for gas transportation service which differed from those listed in its filed rate schedule and which had not been approved by the Commission in violation of KRS 278.160(2). Attached and marked Exhibit A is a copy of a letter from Western in response to an inquiry during the preliminary investigation by Commission Staff. The Commission finds that a prima facie showing has been made that Western has charged rates that are not listed in its filed rate schedules in violation of the provisions of KRS Chapter 278.

IT IS THEREFORE ORDERED that:

1. Western shall submit within 15 days of the date of this Order a written response which shall include the names and addresses of all customers to whom unauthorized rates were charged and a statement showing by month for each account the tariff rate, the rate actually charged, and the amount of revenues collected and remaining uncollected.

2. Western shall contact the Commission should it desire to schedule an informal conference prior to the date of the hearing.

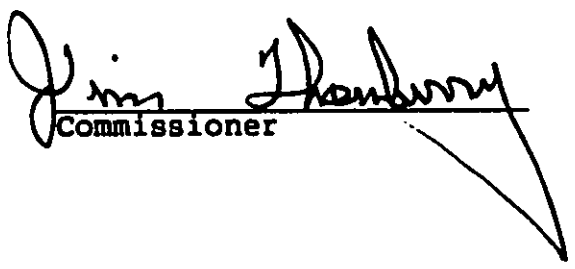
3. Western shall appear on March 5, 1990, at 1:30 p.m., Eastern Standard Time, in the Commission's offices in Frankfort, Kentucky, for the purpose of showing cause, if any it can, why it should not be subject to the penalties of KRS 278.990 for its alleged violation of KRS 278.160.

Done at Frankfort, Kentucky, this 22nd day of February, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director



WESTERN KENTUCKY GAS COMPANY

311 WEST SEVENTH STREET · P.O. BOX 866 · OWENSBORO, KENTUCKY 42302 · TEL. 502-665-8000

August 31, 1989

Mr. Claude Rhorer
Acting Executive Director
Public Service Commission
Post Office Box 615
730 Schenkel Lane
Frankfort, KY 40602

Dear Mr. Rhorer:

In response to my telephone conversation with Judy Cooper on August 30th, Western is providing a copy of each customer's invoice (General Tire, Pennwalt, GAF Corp., Ragu and Green River Steel) during those months that a discounted transportation rate was granted. We are also providing a summary reflecting the discounts applied to the filed transportation rates for the above customers.

Also enclosed are copies of correspondence from Western to the Commission dated March 10, 1986, November 19, 1986, December 31, 1986, and December 21, 1987 informing the Commission of these discounts to filed transportation rates. As the correspondence reflects, Western was addressing competitive pressures experienced at that time.

These discounts were made to retain or build gas load, with the total amount discounted being absorbed by Western's stockholders. As a result of retaining the gas load, Western's sales customers benefited because the non-commodity component of the transportation rate was collected from these customers and credited through the Gas Cost Adjustment.

With the exception of Green River Steel and Pennwalt, discounts to the filed transportation rates through December 1988 were made to retain those customers that would have switched to fuel oil. Green River Steel was given a ten percent discount to its transportation rate G-3 to assist in reopening the steel mill which had been closed since December, 1985. The discount reflected for

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Pennwalt during the months of March 1988 through December 1988 were given to prevent bypass for an interim period until a special contract could be finalized. A special contract for Pennwalt has since been filed and approved in December 1988 by the Commission.

Please inform me if any additional information is needed regarding this request.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jay F. Carnahan".

Jay F. Carnahan
Vice President - Technical Services

JFC:ml
Enclosures
cc: Earl Fischer
Mary Sawicki